

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of California Water Service Company (U 60 W), a corporation, for an order authorizing it to increase rates charged for water service in the Antelope Valley District by \$437,218 or 36.94% in fiscal 2006-2007, by \$145,000 or 8.94% in fiscal 2007-2008, and by \$145,000 or 8.21% in fiscal 2008-2009.

And Related Matters

Application 05-08-006

Application 05-07-007

Application 05-07-008

Application 05-08-009

Application 05-08-010

Application 05-08-011

Application 05-08-012

Application 05-08-013

(Filed August 8, 2005)

**JOINT MOTION OF CALIFORNIA WATER SERVICE COMPANY
(U-60-W) AND THE DIVISION OF RATEPAYER ADVOCATES TO
APPROVE A STIPULATION CONCERNING THE WATER REVENUE
ADJUSTMENT MECHANISM (WRAM) AND A STIPULATION
REGARDING REMAINING ISSUES**

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I. INTRODUCTION

Pursuant to Rules 51.1 *et seq.* of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), applicant California Water Service Company (U 60 W) (“Cal Water”) and the Division of Ratepayer Advocates (“DRA”) hereby move that the Commission grant this motion seeking approval of a stipulation concerning the Water Revenue Adjustment Mechanism Stipulation (“WRAM Stipulation”) and the joint stipulation concerning the remaining issues (“Joint Stipulation”). The WRAM Stipulation is attached to this motion as Attachment A. The

Joint Stipulation, an accompanying comparison exhibit, and a synergies white paper are attached to this motion as Attachment B. The Stipulations fulfill the criteria that the Commission requires for approval of such stipulations. As explained below, the Settlement is reasonable in light of the whole record, consistent with the law, and in the public interest. For these reasons, the Commission should grant this motion and adopt the Stipulations in its decision in this matter.

II. STATEMENT OF FACTS

A. Procedural Background

As the Commission knows, Cal Water filed eight rate applications last August for its Antelope Valley, Bear Gulch, Dominguez-South Bay, Hermosa-Redondo, Kern River Valley, Marysville, Palos Verdes, and Redwood Valley Districts. As part of these applications, Cal Water proposed a Water Revenue Adjustment Mechanism (“WRAM”). DRA protested the applications on September 9.

At the prehearing conference, Administrative Law Judge (“ALJ”) McVicar consolidated the eight applications and discussed the numerous issues raised in the proceeding, including the proposed WRAM. On September 26, the Commission issued a Scoping Memo and Ruling of Assigned Commissioner (“Scoping Memo”) which identified the issues raised in the applications, including the Commission’s desire to promote water conservation. Scoping Memo at 3. During the week of December 19, 2005, ORA submitted its reports and testimony. On January 9, 2006, Cal Water served its rebuttal testimony.

Settlement discussions began in mid-November and have continued since then. These discussions also took place during the evidentiary hearings which were held at the Commission from January 24 to January 31, and have continued up to the present day. As a result of these discussions, an agreement has been reached to resolve the WRAM

issue raised in the company's applications, and most of the remaining open issues.¹ The parties documented their agreements in the attached stipulations.

B. Water Revenue Adjustment Mechanism

All of the parties agree that conservation is an important goal. However, instead of adopting Cal Water's originally proposed WRAM, the parties have instead agreed to a WRAM mechanism to be implemented in conjunction with an inverted-block-rates rate design. As set forth in Attachment A, the WRAM Stipulation will: (1) institute a mechanism to track all monthly changes in water sales-related revenues above or below the adopted water sales-related revenues; and (2) implement increasing block rates for all districts and all customers classes not covered by the Ratepayer Support Fund. DRA and Cal Water further agree to the goal of applying this stipulation to all other districts for which Cal Water seeks a sales-related RAM, while acknowledging that due to the novel nature of this agreement the DRA and Cal Water may seek future changes and/or elimination of any aspect of this stipulation.

Cal Water will inform its customers by mailing or bill insert regarding the new tiered rate structure and available conservation programs at least 60 days prior to the implementation of increasing block rates.

The specifics of this agreement are detailed in the attached WRAM Stipulation.

C. Joint Stipulation on all Remaining Issues

Previously, all parties in this proceeding have joined a stipulation regarding the Rate Base Equalization Account issue. Unfortunately, DRA and Cal Water have not found common ground regarding: a number of plant issues in the Redwood Valley District; the rate of return; and, the affect of the WRAM Stipulation on rate of return. These contested issues have been briefed in separate documents. For all other issues, DRA and Cal Water have found common ground as expressed in the Joint Stipulation.

¹ DRA and Cal Water have not reached agreement on how a WRAM would affect a utility's return on equity. DRA and Cal Water have filed concurrent briefs on that issue.

III. DISCUSSION

Rule 51.1(e) requires that a stipulation or settlement be “reasonable in light of the whole record, consistent with law, and in the public interest.” The Settlement here satisfies the criteria in both Rule 51.1(e). The Commission should approve this motion, and adopt the stipulations which are supported by DRA and Cal Water.

A. The Stipulations Are Reasonable

The reasonableness of the stipulations is supported by DRA’s reports and testimony, and by the testimony, reports and rebuttal testimony of Cal Water. In addition, the parties considered the affordability of the rates in the districts, public comments at the Public Participation Hearings, letters to the Commission and DRA, the financial health of Cal Water, as well as the impact of extraordinary water quality problems and the desire of the Commission to advance conservation goals. The parties fully considered the facts and the law. Following extensive settlement negotiations, the parties reached a reasonable compromise on the WRAM and other issue which were in contention. The settlement negotiations were accomplished at arm’s length over the course of numerous days.

B. The Stipulations Are Lawful

The parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the Settlement. Indeed, the Commission’s recent Water Action Plan provides that the Commission, “encourage increasing conservation and efficiency rate designs (such as increasing block rates) where feasible ... [and} remove current financial disincentives to water conservation.” (Water Action Plan at 8-9.) The issues resolved in the stipulations are clearly within the scope of the proceeding. Moreover, the stipulations if adopted would result in just and reasonable rates.

C. The Stipulations Serves The Public Interest

Also, the stipulations are in the public interest. The Commission has explained that a settlement which “commands broad support among participants fairly reflective of the affected interests” and “does not contain terms which contravene statutory provisions

or prior Commission decisions” well serves the public interest. *Re San Diego Gas & Elec.*, D. 92-12-019, 46 CPUC 2d at 552. In this proceeding, DRA and Cal Water have agreed to the two attached stipulations after extensive negotiations. The parties fairly represent the affected interests. Cal Water provides water service to the customers in the relevant districts, and DRA is statutorily mandated with representing ratepayers in California, including those districts not directly at issue in this consolidated proceeding.

The principal public interest affected by this proceeding is the delivery of safe, reliable water service at reasonable rates, and the promotion of conservation programs and efficiency rate designs. The stipulations advance these interests. In addition, Commission approval of the stipulations will provide speedy resolution of contested issues, will save unnecessary litigation expense, and will conserve Commission resources. The Commission has acknowledged that “[t]here is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation.” *Re PG&E*, D. 88-12-083, 30 CPUC 2d 189, 221.

D. The Stipulations Conveys Sufficient Information

In addition, DRA and Cal Water believe that the stipulations convey sufficient information for the Commission to discharge its future regulatory obligations. Thus, taken as a whole, the stipulations satisfy the Commission’s standards for approving stipulations presented to it.

IV. CONCLUSION

For the reasons stated above, Cal Water and DRA request that the Commission grant this motion and adopt the stipulations attached hereto.

Dated: March 9, 2006:

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**JOINT MOTION OF CALIFORNIA WATER SERVICE COMPANY (U-60-W) AND THE DIVISION OF RATEPAYER ADVOCATES TO APPROVE STIPULATION CONCERNING RATE BASE EQUALIZATION ACCOUNT (RBEA) SETTLEMENT**” in **A. 05-08-006, et al.** by using the following service:

[X] **E-MAIL SERVICE:** sending the document as an attachment to an e-mail message to all known parties of record to this proceeding who provided e-mail addresses. Courtesy copies of attachments will follow.

[X] **U.S. MAIL SERVICE:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed in San Francisco, California, on the 9th day of March, 2006.

/s/ HALINA MARCINKOWSKI

Halina Marcinkowski

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.
